

Start

10 ~ Select rating criteria and credibility standards

12 ~ Make national and regional rates

14 ~ Develop class relativities

16 ~ Calculate guarantor expense ratios

18 ~ Perform an actuarial analysis of loan owner's default experience, both for the loans to be insured and the total insurable portfolio

20 ~ Use standard actuarial methodologies to estimate default rates applying credibility factors to the insured portfolio, the insurable portfolio and regional/national rates

22 ~ Calculate the pure premiums and load them for expenses and risk charges using standard actuarial methods, resulting in the class rate

24 ~ multiply the class rate by the outstanding loan balances resulting in the premium payable for the particular loan

26 ~ Calculate the premium payable by the insured for the upcoming policy year by adding up all the premiums for each loan.

28 ~ If the end of the policy year, calculate the retrospective premium adjustment

End

FIG. 1

FIG. 2

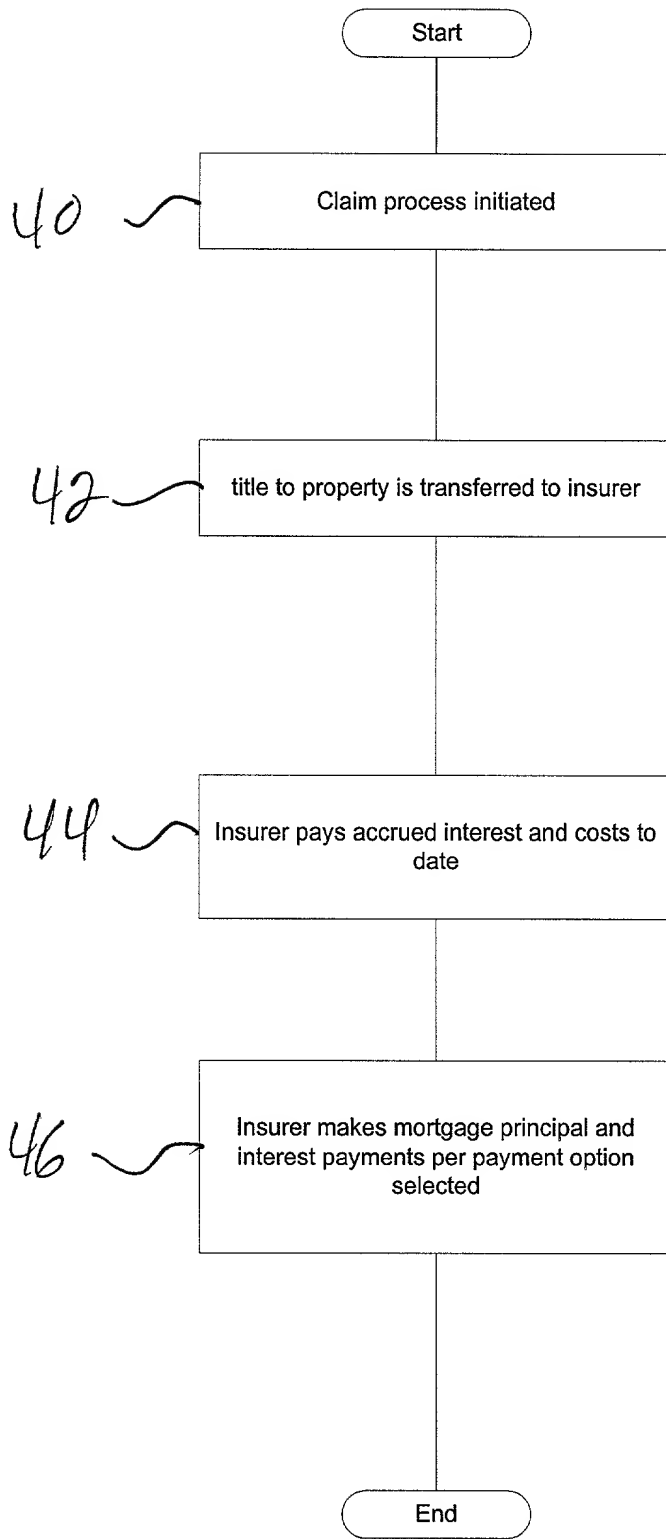


FIG. 2